

## **BOLIVIA**

### **SECTOR PROGRAM FOR STRENGTHENING INSTITUTIONS AND PUBLIC POLICIES TO SUPPORT PRODUCTIVITY AND COMPETITIVENESS**

#### **1519/SF-BO**

#### **SECOND TRANCHE DISBURSEMENT REPORT**

<b>Loan Amount:</b>	US\$87 millions (FSO)
<b>Contract Signing Date:</b>	17 de December de 2003
<b>Second Tranche Amount:</b>	US\$12 millions
<b>Project Team:</b>	Flora Painter (REI/FI1) and Emilio Sawada (REI/FI1), Team Leaders, Gastón Astesiano (REI/FI1), Eddy Linares (COF/BO), Neile Quintero (REI/OD1), Dana Martin (LEG1) and Rafael Acevedo (REI/FI1).

#### **I. INTRODUCTION**

- 1.1 In December 2003, the Board of Directors of the Bank approved a US\$87 million Policy Based Loan (PBL) to Bolivia (Resolution DE-047/2003) to be disbursed in three tranches: US\$65 million for the first, US\$12 million for the second, and US\$10 million for the Third Tranche. The Loan Contract 1519/SF-BO was signed on December 17, 2003. The disbursement of the First Tranche was released on December 19, 2003.
- 1.2 The Program focuses on the execution of the following two components: (i) strengthening public institutions to support productivity and competitiveness within the framework of the *Sistema Boliviano de Productividad Competitividad* (SBPC); and, (ii) strengthening public policies to support the productive sector in order to take advantage of commercial opportunities for exporting, seeking the creation of a favorable environment to promote economic growth and employment generation.
- 1.3 It is important to note that during the preparation and execution of the Program, the Bank has maintained a permanent contact with the major players of the international cooperation agencies operating in Bolivia in the area of productivity and competitiveness, especially with the DFID (United Kingdom), CIDA (Canada) and Netherlands. In addition, the Bank has co-led with the USAID (United States) the *Mesa de Productividad y Competitividad*, an initiative supported by the *Ministerio de Desarrollo Económico* (MDE) and the Vice-Ministry of Public Investment and External Financing (VIPFE), to articulate the activities of the international cooperation agencies. This coordination effort with the donors facilitated information sharing among the agencies, avoiding

duplications of activities and consolidating a common ground on the substantive aspects of the productivity and competitiveness.

- 1.4 According to the Section 4.02(b)(ii) of the General Provisions of the Loan Agreement, the Borrower has to submit a report about the activities carried out to accomplish the conditionality set for each disbursement to the Bank 45 days prior to the estimated date for disbursement, unless agreed otherwise. Even though the Borrower has submitted such report on May 31, the Government of Bolivia has expressed its interest to receive the resources from the Second Tranche by the coming June 30<sup>th</sup>.
- 1.5 On June 4th, the Bank received the formal request for the disbursement of the Second Tranche of the loan, together with the evidences proving that the conditions have been met. After reviewing them, it has been assessed that the general conditions, and six out of eight specific ones have been satisfactorily fulfilled and two partially completed (see Annex I, Matrix of Policies).
- 1.6 It is important to highlight the difficult political and social circumstances in which this Program has been developed. Despite the deep changes within the Government since late 2003, including important changes in the Ministry of Economic Development (MDE), the rationalization of the vice-ministries and other departments, and salary reduction for public servants, the authorities have ratified their strong commitment to the Program and its execution.
- 1.7 Based on the above considerations and the verified evidence proving the fulfillment of the conditions according to the Loan Agreement, the Administration of the Bank recommends the Board of Directors to approve two partial waivers and the disbursement of the Second Tranche of the loan.

## **II. FULFILLMENT OF THE CONDITIONS ESTABLISHED IN THE LOAN AGREEMENT FOR THE DISBURSEMENT OF THE SECOND TRANCHE OF THE LOAN**

- 2.1 *Section 3.03: Specific Conditions for the disbursement of all tranches of the Loan.*  
(a) *To maintain an adequate macroeconomic policy framework, consistent with the objectives of the Program.*
- 2.2 Fulfilled. Despite the difficult political, economic and social situation that the country is facing, Bolivia has been able to maintain an adequate framework of macroeconomic policy, consistent with the objectives of the Program. In addition, the authorities have certified that the Stand-By program with the International Monetary Fund (IMF) is current, consistent with the Policy Letter issued by the Government for this transaction (Section 4.01(c) General Rules of the Loan Agreement).
- 2.3 *Section 3.03: Special Conditions for the disbursement of all tranches of the Loan.*  
(c) *To maintain open the special account specified in the Section 4.01(c) in which the Bank will disburse the proceeds of the financing.*

- 2.4 Fulfilled. In order to satisfy the requirements of the Section 4.01(c) of the Loan Agreement, through the note #VIPFE/DGFE/NEG-02034/2004 dated June 3, 2004, the National Director of External Financing notified that the Special Account #0898, *Cuenta Transitoria Moneda Extranjera del Tesoro General de la Nación*, is currently open.
- 2.5 *Section 3.05(a): In order to strengthen the SBPC, the Borrower has approved the proposal arranged within the framework of the Inter-Institutional Committee of Productivity and Competitiveness (Comité Interinstitucional de Productividad y Competitividad) (CIPC), similar in substance to the terms of the proposal submitted for the fulfillment of the conditions in Section 3.04(a) of this Contract (conditionality for the disbursement of the First Tranche).*
- 2.6 Substantially fulfilled. The proposal for strengthening the SBPC, agreed within the framework of the CIPC and approved by the MDE is substantially similar to the one submitted for the disbursement of the First Tranche. The Decree that will approve this proposal is under process and shall be issued before the date of the approval of the Second Tranche disbursement.
- 2.7 The evidence submitted by the Borrower includes the Resolution of the MDE #116 dated June 3, 2004, which approves the minutes of the CIPC where the proposal was discussed. Since the SBPC was created through a Supreme Decree, the administrative decision that approves adjustments or amendments has to be done by an instrument of similar level. The draft of the Supreme Decree in process that will formalize its approval has been reviewed; the text includes the core elements of the proposal approved by the CIPC.
- 2.8 Regarding the content, the Loan Agreement requires that the proposal to be implemented fulfill the objectives of strengthening: (i) the SBPC's ability to gain support through effective leadership; (ii) the mechanism of participation of the private sector and, (iii) the role of the Productivity and Competitiveness Unit (Unidad de Productividad y Competitividad or UPC) as technical secretariat and coordination agency for the operating branches of the SBPC. The proposed structure introduces the Bolivian Forum of Productivity and Competitiveness (Foro Boliviano de Productividad y Competitividad or FBPC), led by the President of the Nation, who will annually call upon the ministers, other authorities of the Executive Branch, representatives of the Congress, the private sector, the labor organizations, universities and academic institutions, and international cooperation agencies. Following the original proposal, the CIPC will be led by the Minister of Economic Development and the Minister of Peasant Sector and Agriculture, and integrated by two vice-ministries, the representatives of the private sector, small producers and Departmental Councils for Competitiveness (Consejos Departamentales de Competitividad or CDCs). The proposed structure is considered adequate for the current condition of the country; it strengthens the leadership and the ability of SBPC to gain support, and facilitates the participation of the private sector.

- 2.9 The proposal to be implemented regarding the UPC, the key agency acting as technical secretariat and coordination agency of the SBPC, defines the general guidelines, including as its objectives to perform analysis, studies, counseling, follow up of the monitoring indicators, and development of proposals for public policies related to productivity and competitiveness. Specific and further details of UPC's organization and operation will be defined through a regulation approved by Ministry Resolution.
- 2.10 Even though there are aspects to be determined, such as the institutional location of the UPC within the MDE, which will depend on the result of the process of rationalization for vice-ministries and other departments currently under discussion, the direction of the proposal to be implemented is considered adequate for the accomplishment of the objective of strengthening the institutional structure of the SBPC.
- 2.11 Section 3.05(b): *The MDE has adopted the corresponding budgetary provisions to cover the items incorporated in the Administrative Organization System (Sistema de Organización Administrativa or SOA) for the UPC, as approved in compliance of the Section 3.04 (b) of this Contract (conditionality for the disbursement of the First Tranche).*
- 2.12 Fulfilled. The Borrower submitted a note dated June 3, 2004, #MDE/DM/1079/2004 through which the budgetary provision for the UPC to cover the SOA for the UPC has been certified. Such note includes the following documents: (a) Note #VICH-E/193/2004 sent to the Vice-Ministry of Budget and Accounting, Ministry of Finance, requesting the authorization to allocate additional budget for the UPC from the resources of the National General Treasury (*Tesoro General de la Nación* or TGN); (b) Technical report #UFP/26/04, from the General Direction of Administrative Matter of the MDE, which performs the institutional analysis necessary for inter-institutional budget transfers; (c) budget certification UACD/C/CERT-044/2004 issued by the General Director of Budget, Ministry of Finance, certifying that the current budget for 2004 includes Bs.547.628 from the TGN in the Group 1000, personnel services program 23 "*Unidad de Productividad y Competitividad*"; (d) Note from the Vice-Ministry of Industry, Commerce and Exports (*Viceministerio de Industria, Comercio y Exportaciones* or VICE), note #VICE-E-204/04 dated June 3, 2004, indicating that the budget certified by the General Director of the Ministry of Finance has Bs.249.964 for the annual salary for the Executive Director of the UPC, within the budget approved by Law #2627 on December 30, 2003, and Bs.297.664 for additional budget to cover the nine items for technical and administrative (period July-December 2004) has been included. In addition, the note from VICE indicates that the Ministry of Finance will allocate Bs.150.000 to cover operating expenses up to the end of the fiscal year not included in the literal (d) above mentioned. Taking into consideration the tight fiscal restrictions, the

allocation of these amounts to the UPC represents a first effective step towards the institutional strengthening of the SBPC.

- 2.13 Section 3.05(c): *The Ministry of Foreign Affairs (Ministerio de Relaciones Exteriores y Culto or RREE) and the Ministry of Economic Development (Ministerio de Desarrollo Económico or MDE) have signed an agreement in substantially similar terms to the text submitted to fulfill the literal (c) Section 3.04 of the Loan Contract (for the disbursement of the First Tranche).*
- 2.14 Fulfilled. The Borrower submitted a legalized copy of the Inter-institutional Agreement between the RREE and MDE signed on May 31, 2004, which creates the Coordination Committee. The Committee is composed by the Vice-Minister of International Economic Relations and the Vice-Minister of Industry and Exports, and two General Directors from each ministry. Moreover, when the topics to be discussed are related to export promotion, it is expected the participation of one representative from the Bolivia Promotion Center (*Centro de Promoción Bolivia or CEPROBOL*). The objective of this committee is to articulate and coordinate the analysis and formulation of public policies between both ministries, negotiations on international commerce as well as for the process of selection, appointment and evaluation of candidates to cover commercial attaché positions. The agreement proposes the National Council for Exports (*Consejo Nacional de Exportaciones or CONEX*) as a forum for discussion with the private sector.
- 2.15 Although the submitted agreement shows differences from the draft presented at the time of the disbursement of the First Tranche, it is adequate to achieve the strengthening of the external network of foreign trade (section 3 paragraphs (g), (h) e (i) of the agreement), and to promote the articulation and coordination between the public institutions, and the later and the private sector for the process of international negotiations (Section 3, paragraphs (a), (b), (c), (d), (e), (f), and (j); and section 4 of the agreement).
- 2.16 Section 3.05(d): *The MDE has submitted an organizational proposal for an efficient and coordinated operation of the seven institutions identified in paragraph (d) section 3.04 of the Loan Agreement.*
- 2.17 Fulfilled partially, partial waiver recommended. The Borrower submitted a document for the organizational proposal for an efficient and coordinated operation of the seven institutions related to the SBPC which are under the supervision of the MDE: CEPROBOL, Single Exports Window (*Sistema de Ventanilla Unica para la Exportación or SIVEX*), National Service for Intellectual Property (*Servicio Nacional de Propiedad Intelectual or SENAPI*), Bolivian Institute for Small Industries and Handcraft (*Instituto Boliviano de la Pequeña Industria y Artesanía or INBOPIA*), Bolivian Institute for Metrology (*Instituto Boliviano de Metrología or IBMETRO*), Technical Assistance Service (*Servicio de Asistencia Técnica or SAT*) and Bolivian Entity for Crediting (*Organismo Boliviano de Acreditación or OBA*). The proposal describes the

general scheme and coordination between these entities, including an inter-institutional commission formed by the representatives from each entity and the Director of the UPC. The proposal organizes the entities under the Operating System for Productive Services (*Sistema Operativo de Servicios Productivos* or SOSP), grouped under subsystems according to their specialization in order to create an instance which will allow the discussion of topics of common interest, and therefore to facilitate their coordination making the proposal adequate.

- 2.18 Regarding the adjustments and internal reform within each of the seven entities, the proposal does not provide definitions of roles and functions, and only explains the possible alternatives and generic solutions, such as mergers and transfers of activities to the private sector. For example, CEPROBOL, it is indicated that it could be transferred under the supervision of the RREE. Moreover, a possible decentralization is proposed in the cases of SENAPI, CEPROBOL and SAT; in the cases of SIVEX and INBOPIA, it is indicated that they could be absorbed by another institution. Regarding the UPC, the proposal indicates that the final institutional location has not been decided yet, but it is included as a part of the inter-institutional committee which coordinates and articulates the activities of the entities of the SOSP. In addition, it is indicated that the UPC will gradually delegate the operational activities, which is consistent with the role of technical secretariat and SBPC coordinator.
- 2.19 According to the Bolivian authorities, there are consultants currently working on the preparation of individual proposals for each entity. Some of them are expected to be defined shortly (e.g., SENAPI); in other cases, the definition may take some extra months. One of the reasons for the delays in the definition of these aspects is the current process of reorganization of the vice-ministries and other entities of the Government, as a part of the effort of the administration to reduce and rationalize public expenditures; the adjustment of the seven entities and the UPC has to be consistent with this reorganization process, which is expected to be defined within the following weeks.
- 2.20 The objective indicated by the Program for this conditionality is to improve the organization, operation, and coordination of the entities that are part of the SBPC. The proposal submitted fulfills the general and structural objectives but is insufficient regarding the specific contents for each institution. These aspects may be waived because according to the Program, they must be covered during the implementation included as conditionality for the disbursement of the Third Tranche of the Loan. At that stage, the Borrower has to advance beyond the simple formulation of a proposal and demonstrate at least: a) that the operating entities have initiated the actions for organizational re-engineering recommended at least for two of them; b) that all the entities contained in the proposal, and approved by the corresponding regulation, have initiated the administrative process to obtain the budget resources and have sufficient technical staff to ensure its institutional capability and the adequate fulfillment of its functions; and c) that these entities have established a formal mechanism of coordination for programming their activities.

- 2.21 Section 3.05(e): *That the following competitiveness agreements have been signed with the same structure and minimum content of the Bolivian Agreement of Competitiveness for Municipalities (Acuerdos Bolivianos de Competitividad Municipales or ABCMs) signed in compliance of the condition set forth in the Section 3.04 (e) of the Loan Contract: two ABCMs additional to those signed in compliance of the condition established in the Section 3.04 (e) of the Loan Contract; two Bolivian Agreement of Competitiveness (Acuerdos Bolivianos de Competitividad or ABCs) for production clusters that are able to take advantage of the preferential agreement, excluding the quinoa and oleaginous (ABCs have to include a section regarding the treatment and mitigation of social and environmental issues; target and objectives of ABCs have to be explained in terms of development of markets); and two Bolivian Agreement for Competitiveness for Prefectures (Acuerdos Bolivianos de Competitividad Prefecturales or ABCPs); out of these agreements, at least one of them has to be signed with the following departments: (A) La Paz; (B) Cochabamba; or (C) Santa Cruz.*
- 2.22 Fulfilled partially, partial waiver recommended. The Borrower submitted certified copies of: (i) two ABCs for the clusters of leather and its manufactured products, and grapes, wine and *singanis*; (ii) two ABCMs signed with the Municipalities of Montero and Tarija; and (iii) two ABCPs signed with the Departments of Tarija and Santa Cruz.
- 2.23 The production cluster for leather and its manufactured products contributes with the 0.5% of the GDP of Bolivia, and represents 3% of the industry sector and 4% of non-traditional exports. The signed ABC includes an annex called Matrix for Actions and Shared Responsibilities, in which the following aspects are detailed: (i) targets and objectives of the agreement, (ii) actions to be implemented for its accomplishment and, (iii) mechanism and indicators monitoring the commitments, including the identification of responsible parties, according to the Section 3.04(e) of the Loan Agreement. In addition, it includes the commitment to observe the environmental legislation, especially the Environmental Regulation for the Manufacturing Industrial Sector. On the other hand, in the last ten years the production cluster of grapes, wine and *singanis* received an investment for US\$70 million to increase their installed capacity to 215.000 Hectoliters. Even though there are some exports of these products to Europe, Canada, United States and Peru since 1994, the expansion toward new markets requires more promotion, especially to those markets with preferences such as Brazil and Paraguay. The signed ABC includes also a Matrix for Actions and Shared Responsibilities with similar content to the one mentioned above. In addition, the grapes, wine and *singanis* ABC includes a section for environmental issues which considers such actions to induce all producers to enroll in the environmental registry established by the Supreme Decree #26.736 and administered by the municipalities. Finally, it defines the actions to strengthen the National Winery Center (*Centro Nacional Vitivinícola*) as the entity specialized in research and transfer of technology related to this sector.
- 2.24 The ABCMs signed with the Municipalities of Montero and Santa Cruz, and the ABCP signed with the Department of Tarija, all have Annexes called Matrix for

Actions and Shared Responsibilities, similar to those mentioned above for the ABCs. However, the ABCP signed with the Department of Santa Cruz omitted the requirement of the Section 3.04(e) in regard to the target and objectives; actions to be implemented; and mechanism and indicators for monitoring the commitment. To cure this deficiency, once this document is approved by the Board of Executive Directors, the Loan Agreement will be amended in order to incorporate these elements into the ABCP with the Department of Santa Cruz as condition precedent for the disbursement of the Third Tranche, which already includes the obligation to implement this ABCP.

- 2.25 As explained in the above paragraphs, the two ABCs, two ABCMs and the ABCP signed with the Department of Tarija fulfill the minimum content required by the Program, but not in the case of the ABCPs signed with the Department of Santa Cruz. Since five out of six agreements have been satisfactorily completed, the Project Team considers that this conditionality has been partially fulfilled.
- 2.26 *Section 3.05(f): The SENAPI's office in the Department of Santa Cruz has been installed and opened for operations.*
- 2.27 Fulfilled. The Borrower submitted a Note #MDE/DM/1078/2004 dated June 3, 2004, through which the MDE sent the Note #SENAPI/DN/N°159/04 and certified that SENAPI's office operates since June 1, 2004, within the premises of the Industry and Commerce Chamber of Santa Cruz. In addition, there is attached a legalized copy of the Institutional Cooperation Agreement signed between the VICE, FUNDAEMPRESA and SENAPI, to install the desk for reception and counseling for filing process. It is important to note that VICE is currently executing a Program for strengthening SENAPI, with the support of the USAID; the Bank and the Borrower have coordinated with such agency in the identification and development of this conditionality. This action will contribute to strengthen SENAPI, and consequently to reduce Bolivia's risk to lose the country eligibility to access the benefits under the Andean Trade Preferences and Drug Eradication Act (ATPDEA).
- 2.28 *Section 3.05(g): SENAPI has signed the respective agreements with the District Prosecutor Offices in the Departments of Cochabamba and Santa Cruz, which include actions to strengthen the control over violation to the legislation related to the intellectual property.*
- 2.29 Fulfilled. The Borrower submitted legalized copies of the respective Inter-institutional Agreements signed on May 21, 2004, by SENAPI and the District Prosecutor Offices in the Departments of Cochabamba and Santa Cruz. Through this conditionality and the one contained in the previous paragraph, the basic directions to regulate SENAPI and the Prosecutor Offices' cooperation and coordinated efforts is expected to strengthen SENAPI's role as the entity in charge of the protection of the intellectual property. Among others, SENAPI and the Prosecutor Offices agreed to have meetings to train the prosecutors in intellectual property matters, coordinate the preparation of administrative regulations and



facilitate the application of sanctions for violation of the national or supranational regulations related to intellectual property. These agreements are adequate to contribute to the objective of strengthening SENAPI, and therefore, reducing the risk that Bolivia loses the country eligibility to access to the benefits under the ATPDEA.

- 2.30 Section 3.05(h): *That the MDE had submitted a proposal regarding public policies to support the enterprises of the sector which were identified under the letter (h) of the Section 3.04 of this Contract, including at least: (i) identification of the main bottle necks and restrictions for the growth and exports of products of this sector; (ii) a proposal of specific actions in order to reduce the identified restrictions and bottle necks; (iii) identification of the expected results.*
- 2.31 Fulfilled. The Borrower submitted a copy of the proposal of public policies to lessen the restrictions faced by the manufacturing enterprises for export, strengthen its productivity and develop external markets, in accordance with the preliminary analysis which established the conditions for the disbursement of the First Tranche as specified in Section 3.04(h). Through the submitted proposal, bottle necks faced by the medium size enterprises with potentiality for export are identified; actions and policies that will contribute to the growth and activation of this sector are proposed, allowing enterprises to directly or indirectly access the markets which Bolivia has a preferential commercial agreement with.

### III. RECOMMENDATION

- 3.1 Based on the documents submitted by the Borrower and the analysis carried out by the Project Team, the Administration of the Bank has concluded that the Government of Bolivia has substantially fulfilled the general provisions of Section 3.03, and the specific provisions pointed out in the Sections 3.05(a), 3.05(b), 3.05(c), 3.05(f), 3.05(g) and 3.05(h). Regarding to the actions indicated in Sections 3.05(d) and 3.05(e), the Project Team considers that they have been partially satisfied.
- 3.2 Consequently, considering the critical political, social and economic situation of Bolivia, the effort done by the Borrower for the fulfillment of the conditions, and the commitment expressed by the Bolivian authorities to continue with this Program, it is recommended to the Board of Executive Directors: (i) to provide a partial waiver to the Borrower regarding to the partially satisfied two conditionality and, (ii) to authorize the immediate disbursement of funds corresponding to the Second Tranche of the Loan 1519/SF-BO.

## ABBREVIATIONS

ABCMs	<i>Acuerdos Bolivianos de Competitividad Municipales</i> [Bolivian Prefecture Competitiveness Agreements]
ABCPs	<i>Acuerdos Bolivianos de Competitividad Prefecturales</i> [Bolivian Prefecture Competitiveness Agreements]
ABCs	<i>Acuerdos Bolivianos de Competitividad</i> [Bolivian Competitiveness Agreements]
ATPDEA	Andean Trade Preferences and Drug Eradication Act
CDCs	<i>Consejos Departamentales de Competitividad</i> [Departmental Competitiveness Committees]
CEPROBOL	<i>Centro de Promoción Bolivia</i> [Bolivian Promotional Center]
CIDA	Canadian International Development Agency
CIPC	<i>Comité Interinstitucional de Productividad y Competitividad</i> [Inter.-Agency Productivity and Competitiveness Agreement]
CONEX	<i>Consejo Nacional de Exportaciones</i> [National Council for Exports]
DFID	Department for International Development (United Kingdom)
FBPC	<i>Foro Boliviano de Productividad y Competitividad</i> [Bolivian Forum of Productivity and Competitiveness]
FSO	Fund for Special Operations
IBMETRO	<i>Instituto Boliviano de Metrología</i> [Bolivian Metrology Institute]
IMF	International Monetary Fund
INBOPIA	<i>Instituto Boliviano de la Pequeña Industria y Artesanía</i> [Bolivian Institute for Small Industries and Handcraft]
MDE	<i>Ministerio de Desarrollo Económico</i> [Ministry of Economic Development]
OBA	<i>Organismo Boliviano de Acreditación</i> [Bolivian Accreditation Agency]
PBL	Policy Based Loan
RREE	<i>Ministerio de Relaciones Exteriores y Culto</i> [The Ministry of Foreign Affairs]
SAT	<i>Servicios de Asistencia Técnica</i> [Technical Assistance Service]
SBPC	<i>Sistema Boliviano de Productividad y Competitividad</i> [Bolivian Sustainable Development Department]
SENAPI	<i>Servicio Nacional de Propiedad Intelectual</i> [National Intellectual Property Service]
SIVEX	<i>Sistema de Ventanilla Única de Exportación</i> [Single Export Window]
SOA	<i>Sistema de Organización Administrativa</i> [Administrative Organizational System]
SOSP	<i>Sistema Operativo de Servicios Productivos</i> [Operating System for Productive Services]
TGN	<i>Tesoro General de la Nación</i> [National General Treasury]
UPC	<i>Unidad de Productividad y Competitividad</i> [Productivity and Competitiveness Unit]
USAID	<i>United States Agency for International Development</i>

VICE	<i>Viceministerio de Industria, Comercio y Exportaciones</i> [Vice-Ministry of Industry, Commerce and Exports]
VIPFE	Vice-Ministry of Public Investment and External Financing

**BOLIVIA**  
**SECTOR PROGRAM FOR STRENGTHENING INSTITUTIONS AND PUBLIC POLICIES**  
**TO SUPPORT PRODUCTIVITY AND COMPETITIVENESS (BO-0219)**  
**POLICY MATRIX**

Problem	Objective	First Tranche	Second Tranche	Third Tranche
Fiscal and financial instability creates an unfavorable environment for the development of competitiveness.	To curb the growth of the fiscal deficit and promote macroeconomic stability.	The macroeconomic policy framework is consistent with the guidelines established in the sector policy letter.	The macroeconomic policy framework continues to be consistent with the guidelines established in the sector policy letter.	The macroeconomic policy framework continues to be consistent with the guidelines established in the sector policy letter.
<b>I. Strengthening public institutions in order to support productivity and competitiveness within the framework of the SBPC</b>				
Weaknesses in the SBPC's structure in the area of leadership and its ability to rally the support and interest of stakeholders, mechanisms for private-sector participation, and the articulation of the institutions belonging to the system.	To strengthen the institutional structure of the SBPC so that it can play its proper role in promoting productivity and competitiveness in the country.	1. Submission by the UPC of a proposal for strengthening the organizational and functional structure of the SBPC to the MDE and the Ministry for Campesino and Agricultural Affairs; this proposal is to include, as a minimum, an implementation schedule and actions to strengthen: (a) its ability to rally the support and interest of stakeholders through effective leadership; (b) mechanisms for private-sector participation; and	9. Approval, by the borrower, of the consensus-based proposal within the framework of the CIPC for strengthening the SBPC. The proposal should be similar in substance to the version submitted for the preceding tranche.	17. Implementation of the proposal for strengthening the SBPC as approved during the disbursement period covering the second tranche. Fulfillment of this condition is to be corroborated through the submission of a progress report by the UPC indicating what advances have been made. <sup>1</sup>

<sup>1</sup> This report should provide corroboration, as a minimum, of progress in the following areas: (a) periodic meetings of the CBPC or of an equivalent first-tier organ of the SBPC; (b) periodic meetings of the CIPC or of an equivalent second-tier organ of the SBPC; (c) operational status of the CDCs within the SBPC network in at least four departments; and (d) events organized by the UPC to communicate and disseminate the SBPC's advances to civil society and the business sector corresponding to priority production chains.

Problem	Objective	First Tranche	Second Tranche	Third Tranche
Lack of articulation and coordination between the two key ministries in terms of support for export activities in the production sector: the MDE and the MRREE.	To improve the effectiveness of export promotion activities and international trade negotiations.	<p>(c) the UPC's role as technical secretariat and coordinator of the SBPC's organizational arms.</p> <p>2. Approval by the MDE of the Administrative Organizational System for the UCP as determined by the National Public Administration Service.</p> <p>3. Submission by the MDE of a management between the MDE and the MRREE proposing, as a minimum, measures for:</p> <p>(a) strengthening the external foreign trade network of commercial attachés, embassies and consulates; and</p> <p>(b) promoting articulation and coordination between public-sector institutions and between these and the private sector to undertake international trade negotiations</p>	<p>10. Adoption by the MDE of the budgetary provisions required to cover the items in the UPC's SOA that have been approved.</p> <p>11. Signing of a management agreement between the MDE and the MRREE whose terms are similar in substance to the draft version submitted for the preceding tranche.</p>	<p>18. Hiring, in accordance with the Public Service Statute, of minimum technical staff required for the UPC to function properly.</p> <p>19. Implementation of the management agreement signed during the period corresponding to the preceding tranche. Evidence of implementation is to be provided in a progress report prepared by the MDE.<sup>2</sup></p>
The operational arms for productivity, competitiveness, and export promotion of the SBPC which report to	To improve the operations, coordination, and institutional structure of the components of the	<p>4. Submission by the MDE of a preliminary baseline assessment of the extent to which the following agencies of the MDE, which are to be the operational</p>	<p>12. Submission by the MDE of a proposal for coordinating and improving the efficiency of the following SBPC agencies: CEPROBOL, SIVEX, SENAPI,</p>	<p>20. Approval, in accordance with the relevant standards and regulations, and implementation of the proposal submitted during the period covered by the</p>

<sup>2</sup> This report should provide corroboration, as a minimum, of the following: (a) the existence of a formally established forum (which is to have met periodically) for the staff of the MDE, the MRREE, and private-sector entrepreneurs that will provide an opportunity for an in-depth analysis and formulation of policy with a view to helping Bolivia strengthen its position in trade negotiations; (b) there is at least one full-time trade promotion specialist working in each of Bolivia's two most important markets; and (c) the procedure used for the selection of commercial attachés is based on technical criteria.

Problem	Objective	First Tranche	Second Tranche	Third Tranche
the MDE (CEPROBOL, SIVEX, SENAPI, SAT, IBMETRO, OBA and INBOPIA) are not performing their functions satisfactorily and are not coordinated with each other.	SBPC working in the area of foreign trade which report to the MDE (CEPROBOL, SIVEX, SENAPI, SAT, IBMETRO, OBA and INBOPIA).	arms of SBPC, are performing their functions (CEPROBOL, SIVEX, SENAPI, SAT, IBMETRO, OBA and INBOPIA).	SAT, IBMETRO, OBA and INBOPIA.	preceding tranche. This is to be corroborated through the submission of a progress report by the MDE. <sup>3</sup>
<b>II. Reinforcement of public policies for the production sector aimed at taking greater advantage of export opportunities</b>				
Insufficient utilization of the preferential agreements for which Bolivia qualifies in export markets, especially the Andean Trade Promotion and Drug Eradication Act (ATPDEA) and the European Union's Generalized System of Preferences (SPG).	To have an efficient mechanism for identifying and prioritizing bottlenecks in production chains that could be taking advantage of preferential agreements, particularly in sectors with a strong job-creation potential.	5. Signature of the first three ABCMs, <sup>*</sup> at least one of which must be with an economically active municipio.	13. Signature of: (a) two ABCMs <sup>*</sup> (in addition to those signed during the preceding tranche) which have the same structure as the preceding agreements; (b) two ABCs <sup>**</sup> for production chains that can take advantage of preferential agreements (other than the quinoa and oilseed chains); and (c) 2 ABCPs, <sup>*</sup> of which at least one must be with an economically active department.	21. Signature of two additional ABCs <sup>*</sup> with production chains which have the same structure as the preceding agreements. 22. Implementation of the ABCs, ABCMs, and ABCPs signed during earlier tranches. Implementation is to be corroborated in a progress report prepared by the UPC which indicates a delivery performance percentage of no less than 15% for ABCs and ABCPs and 30% for ABCMs. These percentages are to be measured using the follow-up mechanism designed by the UPC for this purpose.

<sup>3</sup> This report should provide corroboration, as a minimum, of the following: (a) that the operational arms of the MDE identified during earlier tranches have initiated the organizational reengineering actions recommended in the proposal, such as decentralization, subcontracting, functional redefinitions, etc., in at least two of these bodies; (b) that all the agencies covered in the proposal and approved in SBPC regulations undertake the administrative process to obtain budget funds and sufficient technical staff to ensure their institutionalization and proper performance; and (c) that these agencies have established formal coordinating units to schedule their activities, and that they are meeting periodically.

<sup>\*</sup> The ABCs, ABCMs, and ABCPs should include, as a minimum, the following: (a) goals and objectives of the agreements; (b) plan of action; and (c) mechanisms and benchmarks for use in monitoring fulfillment of commitments, along with the identification of the bodies or persons responsible for each one. In the case of the ABCs, item (a) should refer to market-development goals and objectives.

<sup>\*\*</sup> ABCs may be referred to as either production agreements or pacts. These agreements or pacts should include a section on measures for addressing and mitigating social and environmental impacts.

Problem	Objective	First Tranche	Second Tranche	Third Tranche
	<p>To facilitate temporary clearance of inputs to be used in manufacturing export products.</p> <p>To reduce the risk that the country might become ineligible for the ATPDEA by strengthening the SENAPI so that it can properly promote and enforce the protection of intellectual property rights.</p> <p>To formulate a strategy and public policies for strengthening and galvanizing firms with</p>	<p>6. Approval, by Executive Order, of the amended regulations and guidelines for RITEX, which should include, as a minimum:</p> <ul style="list-style-type: none"> <li>(a) a streamlined procedure for determining the technical coefficient;</li> <li>(b) consolidation of the time allowance for temporary imports into a single 360-day period;</li> <li>(c) computerization of RITEX operations;</li> <li>(d) establishment of clearly defined standards and operational guidelines for VAT refunds on RITEX exports.</li> </ul> <p>7. Establishment and start-up of a SENAPI office in an economically important department (Cochabamba).</p> <p>8. Submission by the MDE of a report profiling the most representative segment of export firms (based on export values and</p>	<p>14. Establishment and start-up of a SENAPI office in another economically important department (Santa Cruz).</p> <p>15. Signature of agreements with the Office of the Public Prosecutor in economically important departments (Cochabamba and Santa Cruz) which provide for means of tightening up enforcement of intellectual property laws.</p> <p>16. Submission by the MDE of a public policy proposal for backstopping this segment that includes at least the following:</p>	<p>23. Signature of an agreement between SENAPI and the National Customs Service that includes channels for joint action in tightening up enforcement procedures for denying entry to products that are in violation of intellectual property laws and/or customs legislation.</p> <p>24. Implementation of the proposal prepared during the preceding tranche. Implementation is to be corroborated in a progress report</p>

Problem	Objective	First Tranche	Second Tranche	Third Tranche
	export potential (especially medium-sized companies in the manufacturing sector) by facilitating access to markets where Bolivia enjoys trade preferences.	number of establishments) and detailing total exports and total length of export activity (in years) during the period 1996-2002.	<ul style="list-style-type: none"> <li>(a) identification of the main bottlenecks and growth constraints that are limiting this segment and its exports;</li> <li>(b) a specific action proposal; and</li> <li>(c) the expected outcomes.</li> </ul>	prepared by the MDE which must, as a basic minimum, demonstrate that at least two policies or measures have been defined and are being implemented to ease the bottlenecks that are restricting the growth and export activity of medium-sized companies.